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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 03/16/07

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Articles:

1) TOP HEADLINES

Asahi:

MIC found to have outsourced work to staffing agency Pasona in return for amakudari

Mainichi:

Tokyo gubernatorial election: Ishihara vows, "I'll realize the doshu (region) system"; Asano pledges, "I'll disclose information"

Yomiuri & Tokyo Shimbun:

Ruling parties to come up with a bill allowing divorced woman to register child as "child of current husband" if she gives birth within 300 days of divorce

Nihon Keizai:

Matsushita Electric likely to give preferential negotiating right to US TPG over the sale of its subsidiary Victor Co.; Agreement likely to come by end of month

Sankei:

Hokuriku Electric Power found to have hidden criticality accident

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caused by double errors in operation, procedures

Akahata:

LDP, New Komeito force decision to hold a hearing on the national referendum bill on March 22, despite protests from JCP, other parties

2) EDITORIALS

Asahi:

- (1) Criticality accident: Criminal concealment
- (2) Lifting of financial sanctions: DPRK must not miss the forest

Mainichi:

- (1) Criticality accident: Every effort required to find the cause and take measures
- (2) Financial sanctions: We must not allow DPRK to get more by its taking a hard line

Yomiuri:

- (1) How will removal of financial sanctions affect DPRK's nuclear disposal?
- (2) Concealment of criticality accident: Engineer's lack of awareness

Nihon Keizai:

- (1) US must not change its DPRK policy
- (2) Concealment of criticality accident betrays the public's confidence

Sankei:

- (1) Too early for DPRK to smile with removal of financial sanctions
- (2) Landing failure: No flights for strict examination

Tokyo Shimbun:

- (1) Removal of financial sanctions: Next step is to suspend nuclear facilities
- (2) ANA plane accident: Was the problem limited to the detached "bolt"?

Akahata:

Utility costs scandal: Protecting agriculture minister only spread a sense of distrust

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, March 15

NIHON KEIZAI (Page 2) (Full)

March 16, 2007

09:33

Met at Kantei with LDP Secretary General Nakagawa, New Komeito Secretary General Kitagawa and others.

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09:56

Made an informal representation at the Imperial Palace.

11:18

Met at Kantei with former Foreign Minister Machimura, followed by Kansai Economic Federation Chairman Akiyama and Kansai Association

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of Corporate Executives President Morishita. Afterward met physical exercise instructor Hiromichi Sato.

14:10

Met former Home Affairs Minister Suita and Lower House member Nishimura, followed by ROK-Japan Cooperation Committee Chairman Nam and others in the presence of Japan-ROK Cooperation Committee Chairman Yasuhiro Nakasone, former Prime Minister.

15:30

Met Prince Willem-Alexander of the Netherlands.

16:00

Met Economic and Fiscal Policy Minister Ota, followed by Advisor Nemoto and others. Afterward met Deputy Chief Cabinet Secretary Matoba.

16:58

Attended a regular Japan Chamber of Commerce and Industry general meeting at the Imperial Hotel.

17:33

Attended a monthly economic report-related cabinet meeting at Kantei.

18:10

Met Administrative Reform Minister Watanabe.

19:20

Dined at a Nishi-Azabu Chinese restaurant with members of the parliamentary group to build schools for children in Asia, including Senior Vice Education Minister Endo.

21:01

Returned to his official residence.

4) Iraqi leaders to visit Japan

YOMIURI (Page 4) (Full)

March 16, 2007

Iraqi Vice President Hashimi and Prime Minister Maliki are scheduled to visit Japan soon in succession at the invitation of Japan. Coordination is underway for Hashimi's visit in late March and Maliki's visit in April.

5) Gov't to extend Iraq law for 2 years, ASDF to stay on

MAINICHI (Page 2) (Full)

March 16, 2007

The government decided yesterday to adopt a plan in a cabinet meeting within the month to extend the Iraq Special Measures Law for two years. The government is now coordinating with the ruling parties to make a cabinet decision on March 27.

The Iraq Special Measures Law, enacted in July 2003, is a time-limited law that is valid for four years and is due to expire at the end of July this year. The Air Self-Defense Force, currently basing some troops in Kuwait, has been continuing an airlift mission in Iraq based on the law, so the government needed to extend the law in order to continue the ASDF's Iraq mission.

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In July last year, the Ground Self-Defense Force withdrew troops deployed in Iraq's southern district, so the government considered extending the law for two years, half the period of time for deployment under the current law. Meanwhile, the United States held off-year elections in November last year, and the ruling Republican Party was defeated in the midterm elections. As a result, there were calls in the United States for pulling US troops out of Iraq. The government seemed likely then to extend the law for one year.

However, President Bush strongly rejected an early pullout, and Vice President Cheney also ruled such out when he visited Japan in February. As it stands, the government deemed it would be easier to assess the Iraq situation if the ASDF's Iraq mission were extended for a longer period of time, according to government officials. If there were just a one-year extension, the law would have to be extended next year again, in addition to extending the Antiterror Special Measures Law, which is to expire in a year. "This would greatly affect Diet deliberations," a senior Defense Ministry official said. The government therefore decided to extend the law for two years. The ruling Liberal Democratic Party and its coalition partner, the New Komeito, both approved the two-year extension.

6) US offers to provide N. Korea with generators

ASAHI (Page 2) (Slightly abridged)
March 16, 2007

BEIJING-An economic and energy cooperation working group of the six-party talks held its first meeting yesterday at the South Korean Embassy in Beijing to discuss economic aid to North Korea in return for that country's abandonment of its nuclear programs. According to informed sources, the South Korean government formally clarified its course of action to provide North Korea with fuel oil amounting to 50,000 tons as an initial step. The United States indicated that it was ready to provide small power generators to be used at hospitals and other facilities.

According to a high-ranking US government official, the United States will provide generators to North Korea as the first step in aid. This step is considered as aid that is equivalent to fuel oil totaling 50,000 tons and is estimated at several million dollars, the official said.

South Korea hosted the working group meeting. At its outset, Chon Yong U, South Korea's chief negotiator for the Korean Peninsula's peace process, urged North Korea to implement an agreement reached at the six-party talks, saying, "Aid must be linked to the scope and speed of denuclearization." South Korea will provide North Korea with 50,000 tons of fuel oil in aid along with the arrival of International Atomic Energy Agency (IAEA) inspectors in North Korea to verify the shutdown and sealing of nuclear facilities at Yongbyon in that country.

North Korea explained its energy situation and requested aid. In that course, North Korea referred to its thermal and hydroelectric power plants, saying they are now superannuated and need to be renovated. In addition, North Korea revealed that its capacity of fuel oil storage is limited and that it cannot store more than 50,000 tons at a time.

Representing Japan, Junichi Ihara, director of the Foreign

Ministry's Asian and Oceanian Affairs Bureau, attended the meeting. Japan stressed its position that it cannot respond to aid as long as there is no progress in the issue of Japanese nationals abducted to North Korea, Ihara revealed yesterday evening.

7) Abe describes lifting of sanctions "as expected"; To reaffirm Japan-US cooperation in six-party talks

YOMIURI (Page 2) (Full)
March 16, 2007

Prime Minister Shinzo Abe, speaking to reporters yesterday, took this view on Washington's decision to partially lift its financial sanctions on North Korea: "The move was expected. I don't think it will have a serious impact on matters, including Japan-DPRK talks." The government intends to reaffirm close cooperation between Japan and the United States with the aim of bringing a comprehensive settlement to the nuclear and abduction issues.

Liberal Democratic Party Policy Research Council Chairman Shoichi Nakagawa noted: "I think the United States will continue with its (financial sanctions) under its legislation. I don't think Washington has shifted its course." Senior Vice Foreign Minister Katsuhito Asano indicated that the brakes on North Korea's money-laundering will remain effective, saying, "Banco Delta Asia will be shut out of the international financial system."

A senior Foreign Ministry official indicated that America's latent "pressure" is in place, noting, "The United States has learned that the financial sanctions are quite effective. It has obtained a stick other than force."

Meanwhile, Former Foreign Minister Masahiko Komura, in a Komura faction meeting yesterday, expressed wariness about the United States removing North Korea from its list of state sponsors of terrorism before the abduction issue makes progress. He said: "Although Japan is not in a position to say this and that about a decision made by US financial authorities, the government should urge Washington not to remove North Korea from its list of nations sponsoring terrorism."

Association of the Families of Victims of Kidnapped by North Korea (AFVKN) Representative Shigeru Yokota, in yesterday's government-prefecture abduction meeting, said: "North Korea is waiting to hear a call in Japan for making concessions so as not to become isolated (in the six-party talks)." AFVKN Secretary General Teruaki Masumoto expressed concern to reporters, saying, "(The lifting of the sanctions by the United States) will have an adverse effect."

In contrast, former LDP Vice President Taku Yamasaki told reporters in the Diet building: "The dialogue between Washington and Pyongyang has advanced. Japan, too, should take a flexible stance."

8) Macau likely to unfreeze North Korea's bank account: Japan alarmed about related countries softening their attitude

SANKEI (Page 1) (Full)
March 16, 2007

The US Department of the Treasury yesterday announced its decision to bar US banks from dealing with Banco Delta Asia in Macau, a

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special administrative region of China, for its having been involved in North Korea's unlawful financial activities, such as money laundering. This measure is based on the Anti-Terrorism Act. The decision will come into force within 30 days.

At the same time, it also announced the decision to let local Macao government authorities decide whether to unfreeze North Korean assets amounting to 25 million dollars (approximately 2.93 billion yen) held by that bank. The bank will reportedly release Pyongyang's

assets in some form or other. It means that Washington will effectively accept the lifting of financial sanctions against North Korea.

North Korea demanded the return of the entire amount of money it holds at Banco Delta Asia in exchange for its returning to the six-party talks on North Korea's nuclear ambitions. Quoting a comment by a US senior government official, the March 15 edition of the New York Times reported, "Only assets obtained through legal activities will be eligible for the lifting of the sanctions. Assets obtained by an illegal means will not be returned."

Tokyo has been reserved in assessing the effective approval by the US to release the North's frozen assets. There is concern that North Korea may now turn bullish taking advantage of the concessions made by the US. As such, the government intends to keep an eye on the North regarding whether it will properly take actual measures to dismantle its nuclear facilities. It is also determined not to respond to Pyongyang's demand unless the abduction issue makes progress. Prime Minister Shinzo Abe yesterday said, "Japan will continue with sanctions."

Foreign Minister Taro Aso also noted during a meeting of the Upper House Foreign Affairs and Defense Committee: "The US in a way has made concessions to North Korea, but it is praiseworthy that the talks have made progress toward the denuclearization of the Korean Peninsula. At least, it will be good if talks on suspending nuclear facilities in Yongbyon will get under way."

The government has viewed that progress in the US-North Korea talks on the financial sanctions issue has led to resumption of the six-party talks in February, when agreement was reached on the suspension and sealing of a nuclear facility in North Korea. Though the US decision this time was assumed, the prime minister reiterated it would not affect Japan's position. However, there still remains concern that the North might bargain about the blanket lifting the financial sanctions taking advantage of pressure from the international community.

The government is alarmed about the possibility of other nations softening their attitude to the North, occasioned by the removal of the financial sanctions. As such, it plans to work on the US, China, South Korea and Russia to tighten cooperation at such venues as the six-party talks. In particular, it intends to continue to ask the US, which has begun talks to remove the North from a list of state sponsors of terrorism, to make the resolution of the abduction issue a condition.

9) Foreign Minister Aso: Abduction issue will be the last to be discussed

MAINICHI (Page 2) (Full)
March 16, 2007

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When asked by Minshuto (Democratic Party of Japan) member Shinkun Haku at an Upper House Foreign Affairs and Defense Committee session yesterday about his view on the abduction issue following the US decision to lift its freeze on accounts related to North Korean funds at the Banco Delta Asia, Foreign Minister Taro Aso stated yesterday: "I felt initially that this issue would be the last (on the list of priority issues at the six-party talks)." The Japanese government regards the abduction issue as its top priority. Aso appears to have aimed at avoiding public criticism of the government by stressing the difficulty of negotiations with North Korea, although other discussions on the denuclearization of North Korea have moved forward.

Aso showed his understanding for the US decision on removing its financial sanctions on the North, saying, "The six-party talks were launched to denuclearize North Korea. I hope that great progress will be made on the nuclear weapons issue."

Citing the fact that a working group meeting on March 7-8 on normalization of Japan-North Korea relations made no headway, Aso

stated:

"There are considerably large differences in views between the two sides. The abduction issue will be taken up for discussion at the end. We are prepared for such a situation."

10) Influential US Republican Party lawmakers: Resolving the abduction issue should be precondition for removing the North from terrorist list

MAINICHI (Page 2) (Full)
March 16, 2007

Masaya Oikawa, Washington

Three influential members of the House of Committee on Foreign Affairs of the Republican Party sent a letter to Secretary of State Condoleezza Rice calling for premising the removal of North Korea from the US list of state sponsors of terrorism on resolving the abduction issue. The three members of Congress appear to be giving consideration to Japan, as well as applying the brakes to a possible expeditious removal of the DPRK from the list.

The letter to Secretary Rice came from Republican Party lawmakers Ileana Ros-Lehtinen, a ranking committee member, Edward Royce, and Donald Manzullo. The letter stated: "North Korea should remain on the list of state sponsors of terrorism until the issues of North Korea's abductions of Japanese and South Korean nationals are resolved and assurances are given regarding any such future acts."

The United States agreed to begin the process of removing its designation of the North as sponsor of terrorism, but many Republican Party members are opposed to the US government's decision.

11) Kono: I issued the statement with conviction

YOMIURI (Page 4) (Full)
March 16, 2007

In 1993, then Chief Cabinet Secretary Yohei Kono released the
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so-called Kono Statement on the wartime comfort women issue. Kono, now Lower House Speaker, made the following comment on the statement during a press conference yesterday: "I issued it with conviction (shinnen o motte). I have no intention of saying this or that at this point. I hope people will take it as it is."

There is a call in the ruling Liberal Democratic Party and the opposition Minshuto (Democratic Party of Japan) for a review of the Kono Statement. Prime Minister Shinzo Abe, however, has indicated that the government would basically continue upholding the statement.

12) Key bills representing Abe's policy agenda face uphill battle in gaining Diet approval

MAINICHI (Page 5) (Excerpts)
March 16, 2007

Tatsuo Eto

Uncertainties are looming large over the important bills the Abe administration aims to enact during the current session of the Diet. The bills are related to constitutional revision, security, the pension program, public servants, and other matters strongly linked to Abe's policy imprint. The reason is that other bills have been randomly created by cabinet members out of their "ambition to receive recognition" and without any consultation with the Prime Minister's Official Residence (Kantei), which is lacking a "control tower" for the coordination of bills. As a result, bills failed to be introduced in the Diet by the deadline for the submission of March 13. In addition, adequate time for deliberations is lacking. Given that the Upper House election is coming this summer, it is unlikely the current Diet session can be extended beyond its June 23

closing date. The government and the ruling parties are certain to be stuck in a "traffic jam" in handling the backlog of bills, submitted or not submitted.

In the area of foreign and defense affairs, the special measures bill for the realignment of the US Forces Japan (USFJ) and 15 bills that are treaty-related have already been introduced in the Diet. The Special Iraq Measures Law, which is to expire at the end of July, must be amended during the current Diet session, given the importance of Japan's alliance with the United States. When amendments to laws are introduced in the Diet, it is expected that such measures would be discussed first before any other bills. The bill amending the Security Council Establishment Law aimed at establishing a Japanese-style National Security Council (JNSC), sponsored by Chief Cabinet Secretary Yasuhisa Shiozaki and Special Advisor to the Prime Minister Yuriko Koike -- may not have ample time for deliberation.

The national referendum bill setting the procedures for revising the Constitution, which is under deliberation, is expected to be sent to the Upper House in mid-April or after as result of the ruling Liberal Democratic Party's (LDP) consideration for its junior coalition partner New Komeito, which is cautious about passing the bill before the first round of the unified local elections (election day on April 8). Prime Minister Shinzo Abe turned around his previous stance about the bill, noting, "I am not insisting on enacting the bill by May 3, Constitution Day." But a senior House of Councillors member of the LDP expressed concern: "If we fail to get the bill approved by early May, it will be difficult to enact it

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during the current Diet session." A senior member of the LDP Diet Affairs Committee is getting increasingly irritated at the fact that the priority order of deliberations on the bills has yet to be determined and complained: "The Kantei is overstepping itself in insisting that all the bills must clear the Diet. We need to ask the prime minister whether he is unwaveringly resolved to handle (every bill)."

13) National referendum bill likely to clear Lower House in mid-April; Ruling coalition gives up on coordination with Minshuto

YOMIURI (Page 1) (Full)
March 16, 2007

The outlook is that a bill outlining procedures for a national referendum, which is needed to amend the Constitution, will pass the House of Representatives in mid-April. The ruling Liberal Democratic Party (LDP) and coalition partner New Komeito gave up yesterday jointly marking up the bill with the main opposition party, Minshuto (Democratic Party of Japan). Having given up its plan to jointly submit the bill to the Diet with Minshuto after working out differences on the bill, the ruling coalition decided yesterday to present their own revised bill to the Lower House Special Research Commission on the Constitution. The ruling camp also decided to send the legislation to the House of Councillors after the full Lower House adopts it on April 13. As it stands, the referendum bill, one of the key bills for Prime Minister Shinzo Abe, will likely be enacted during the current Diet session.

The special constitutional commission decided by a majority of members from the two ruling parties yesterday to hold a central public hearing on March 22. Although the opposition camp has opposed the decision to hold the public hearing on March 22, the ruling bloc intends to submit the corrected bill to the public hearing and put it to a vote at the special commission on April 12, after holding several debate sessions. The ruling camp aims to have the legislation clear the Diet during the ongoing session, after holding deliberations twice a week at the House of Councillors.

The New Komeito, which is concerned about a negative impact on campaigns for the unified local elections, had urged the LDP to take a vote on the bill on or after April 8, the date of the Tokyo gubernatorial election. The LDP accepted the New Komeito's request.

The ruling coalition's bill includes such revisions as: (1) the

minimum age for granting voting rights should be 18 (20 years old for the time being), and (2) the referendum law should be implemented three years from its promulgation, during which period Diet debate on constitutional amendments would be frozen.

The ruling camp intends to limit the application of the referendum law to a vote on constitutional reform. Therefore, Minshuto's proposal that the law should be applied to other important national issues will be listed as a "topic under consideration."

14) Ozawa urges Matsuoka to take responsibility

YOMIURI (Page 4) (Full)
March 16, 2007

Ichiro Ozawa, president of the major opposition party Minshuto (Democratic Party of Japan), held a press conference in Tottori City

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yesterday in which he urged Agriculture, Forestry, and Fisheries Minister Toshikatsu Matsuoka to step down from the post for his failure to offer a detailed account on his utility charges. Ozawa said: "If he cannot fulfill his accountability, he has no other option but to take political responsibility." Social Democratic Party Secretary General Seiji Mataichi also said in a press conference yesterday: "We must consider filing criminal charges against Matsuoka (over a violation of the Political Funds Control Law)."

15) MLIT to regulate airport companies regarding foreign capital:
Issuance of golden shares up for consideration

YOMIURI (Page 11) (Full)
March 16, 2007

The Ministry of Land, Infrastructure and Transport (MLIT) yesterday revealed its policy of introducing an investment regulation intended to bar foreign companies from becoming major stockholders of Japan's major airport companies with the planned listing of Narita Airport Company in fiscal 2008 or later in mind. It presented a draft report on privatization of airports at an informal meeting held by the Civil Aviation Bureau chief yesterday. The draft noted: "It is necessary to prevent hostile takeovers by those who do not understand the public nature of airports or the ruling of the management of airports by foreign capital or specific persons."

MLIT plans to set a concrete framework for that policy at the Transport Policy Council, an advisory panel reporting to the MLIT minister, and to submit related bills to the regular Diet session next year.

As specific measures, the draft included the adoption of golden shares, which grant owners veto powers on key matters, and rules on the possession of stocks by foreign companies and bulk possession by single owners. As domestic rules on foreign capital restriction, NTT and airlines set the ceiling at one-third of total shares and broadcasters at one-fifth. MLIT wants to set up a regulation based on those examples. It will also look into the possibility of issuing golden stocks, consulting with the Tokyo Stock Exchange.

Narita International Airport is currently a special company wholly owned by the government. The plan is to completely privatize it in the future, eliminating the government stake

SCHIEFFER